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National Intelligence Council

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

VIA: National Intelligence Officer for Warning

FROM: Graham E. Fuller
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SUBJECT: Forecasting and Warning Meeting Report, 15 November 1984

1. India After Mrs. Gandhi

The situation in India is returning to normal, but remains fragile. Rajiv has shown himself to be a decisive leader, has moved quickly to appoint advisors and put his own men in key posts, and called elections, hoping for a strong popular endorsement of his leadership.

The Sikh-Hindu conflict remains the greatest threat to Indian security, and has produced deep tensions in the army, where Sikhs make up about 10% of total personnel, and 20-30% of the officer corps. Those affected are primarily junior officers and new recruits rather than seasoned veterans, whose loyalty and professionalism remains strong. Pressures are growing to eliminate the military's ethnic unit structure and integrate the Sikh units with other forces. There is concern that these pressures and the distrust generated by recent events may incline younger Sikhs to quit the military, leaving it a weakened and debilitated institution. While there will be severe strains generated by inter-ethnic tensions, the Indian military will maintain its integrity.

We foresee no significant changes in Indian foreign policy. Soviet ties will remain highly important to New Delhi. There could be opportunities for improvement in relations with Pakistan and the United States, but Rajiv seems to be expecting others to make the first conciliatory moves.

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There was some divergence on the likely Soviet posture towards the new government. The dominant view held that Moscow will woo Rajiv with offers of more technical and military aid and words of support, and would view any dramatic gestures towards the West--such as major arms purchases or significant economic openings--with some alarm. A minority thought that Moscow might adopt a tougher stance towards New Delhi.

Rajiv will be tested immediately on his treatment of Sikhs, who will be looking for concessions. Elections will not be held in the Punjab, where most Sikhs live, nor in Assam province, both considered too unstable. Many Sikh leaders are still in jail, as are many who deserted the military in the wake of communal violence earlier this year.

The Indian military has the most to lose from the Sikh problem, both as an institution, and with respect to heightened security risks in Punjab province, which sits on the border with Pakistan. The military is likely to press strongly for progress in resolving ethnic tensions.

NIO/NESA raised the issue of Indian attitudes toward the prospect of a Pakistani nuclear weapon, and whether there had been any change with Mrs. Gandhi's passing. He speculated that India still cannot tolerate Pakistani possession of a bomb, but that the entire debate will be held in abeyance for a time until other more pressing matters are sorted out. Some support for this view came from DIA. State commented that the informed Indian debate over security from a Pakistani nuclear threat revolves around if and how to proceed with India's own nuclear program. Hawks want to proceed now with developing an Indian bomb; the more cautious wish to wait until the evidence is irrefutable that Pakistan has a nuclear bomb. Some speculated that because Rajiv is more decisive than Indira was, he might be more inclined to go ahead with the Indian program.

The group agreed that Rajiv's honeymoon period provides an opportunity for both Pakistan and the United States to loosen Indo-Soviet ties and improve ties to the West. Islamabad and Washington will have to carefully reassess their priorities, and take appropriate steps to initiate improvements, however. Nonetheless, there are serious constraints on the extent of improvement that is feasible, deriving from long-term trends in Indian foreign policy that go beyond the personality and preferences of Indira Gandhi.

Warning Notes

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- The unsettled Sikh situation continues to lay Rajiv open to threat of assassination.
- Signs of large-scale Sikh departures from the military.

2. Bangladesh: The Soviet Role in Domestic Unrest

Soviet attempts to gain influence in Bangladesh were reviewed, noting that after early Soviet attempts failed to cultivate the military government that took power after the assassination of Zia, Moscow returned to a policy of collaborating with domestic leftists, including the Communist Party of Bangladesh (CPB) and the Awami league, to encourage domestic unrest in the form of violent demonstrations and confrontational tactics. Recently, however, the Soviets have begun talking up an "improvement" in relations, offering aid and trade benefits. These efforts have not evoked any reciprocal softening in the strongly anti-Soviet posture of the Ershad government. The latter expelled 15 Soviets for improper activities in December 1983, and may crack down again soon on the CPB, which has been successful lately in mobilizing large crowds for street demonstrations (by using bribery).

In the ensuing discussion, two main questions were raised: "What is the Indian attitude towards Soviet meddling in the affairs of a neighboring country," and, "What are the prospects for a pro-Soviet regime coming to power in Bangladesh?"

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Some speculated that since India supports the Awami League, it may share that group's current displeasure with Soviet activism in the CPB. On the other hand, India may consider that the chances of Soviet success in Bangladesh are low, given the military's attitudes, and that the Soviet activities may be safely tolerated. New Delhi would not readily jeopardize Indo-Soviet ties over Soviet meddling in Bangladeshi politics. Rather, India's primary concerns are the possibility of strengthening Sino-Bangladeshi ties--given New Delhi's geopolitical perspective of China as a major regional adversary--and closer US-Bangladeshi ties.

- On the second question, the prospects were considered very remote for a pro-Soviet regime anytime soon in Bangladesh. The military purged itself of radical leftist elements in the mid-1970s, and appears relatively free of Soviet influence. Bangladesh is shopping for arms in the West, not the East Bloc. DIA speculated that the most likely major change in Bangladesh would be a move to replace Ershad with a different military leader.

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3. Persian Gulf: Impact of a Major Oil Price Decline

Iraq would be most seriously affected by a major price decline, unable to absorb the probable loss of \$4 billion per year and the consequent austerity that such a cut would bring. Iraq would feel pressed to escalate the war to force Iran to end the fighting, and might increase attacks on Persian Gulf shipping. In addition, Baghdad would press Saudi Arabia and Kuwait to fill the huge revenue gap.

Iran has sufficient capacity to sell more oil and offset revenue losses, and would be likely to resist ending the war. It would probably respond strongly to any Iraqi escalations and increase attacks on Baghdad's oil export facilities--primarily the Iraqi-Turkish pipeline.

Saudi Arabia and Kuwait would be faced with the thorny choices of offering massive additional transfusions of aid for Iraq--and facing severe austerity measures at home that could lead to unrest--or withholding aid and risking the replacement of Saddam with an Iranian-dominated Shia regime. The royal family's own spending habits might also be affected. Furthermore, the Saudi government might question its commitment to OPEC, and devise a new policy on production since other countries have in the past benefitted from the Saudi willingness to absorb production cuts to achieve price stability, and some have not held to their own production quotas.

Some of the smaller Gulf states would also be adversely affected: Oman would have to rethink its military purchases; the UAE, Qatar, and Bahrain might suffer deeper internal strains.

As for the United States itself, there is no question that the domestic US economy would benefit by lower oil prices--economists estimate that a drop in price of \$4 per barrel would yield a growth in the economy of 1%. It is also clear that US interests in the Gulf would suffer severely as instability increased opportunities for Soviet meddling in Iraq and perhaps Kuwait, and an escalation in the Iran-Iraq war might draw the United States into deeper military involvement in the area, possibly confronting Iranian forces.

All local military forces in the area would suffer, and such events could provide openings for Shia unrest and Iranian interference in local affairs. Rather than step up the conflict, Iran might return to a long-term war of attrition strategy in the belief that an Iraq in dire economic straits could not last long.

The scenario could result in crypto-default on Gulf payments to contractors and massive defaults on debt payments by other oil producers, such as Mexico, developments that could damage the international banking system and threaten the entire international financial structure. Such events would temper overall benefits for the US economy.

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4. Iran-Iraq War Update

Noting the continuing hesitation of Iranian forces to launch the "Grand Offensive" they have been preparing for so long, Khomeini may have begun to realize--after several failures and great loss of life--the necessity of a sound military approach. Indicators include the appointment in September of a prominent military man to the Supreme Defense Council, and the fact that revolutionary guard and regular military forces have been training together. Iran still desires a massive and dramatic military victory. In the meantime, Iranian forces will keep up limited attacks, probably along the central and southern fronts, to keep the pressure on Iraq and bolster the morale of Iranian troops and on the homefront.

In the discussion, the question was raised as to why Iran did not change the focus of attack preparations to the north, where it has had some success in the past. Military attendees responded that the bad weather, rugged terrain, and Kurdish opposition had deterred further Iranian attacks there. However, in the future, weather permitting, changing Kurdish posture toward Iran and Iraq could alter these calculations. After all its lengthy preparations, the Iranian forces may be obliged to attempt some sort of strong probe of Iraqi lines, mostly likely along the Dezful-Asmari River.


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